

SEPTEMBER / 1960

Manage



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- LIVE THE SPLIT-LEVEL LIFE
- THE URGE TO MERGE
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SEPTEMBER, 1960

NUMBER 12

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OUR COVER

This scale model of a Boeing B-52G missile bomber is being used to measure radiation patterns given off by the aircraft's antennas. In this test, the model is suspended in free space by a 10-foot supporting tower made of a dielectric material which will not affect the aircraft's radiated signals. The model can be rotated around two axes as signals are transmitted, thus providing three-dimensional antenna coverage.

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CIRCULATION THIS ISSUE: OVER 70,000, DOMESTIC AND FOREIGN.

MANAGE FORUM

by
Carl F. Tossey

Is Americanism Old-fashioned?

❏ The American way of life—Is it going out of style?

❏ There are many Americans who seem willing to discard our capitalistic system and let socialism take over. One concerned businessman has stated that the United States is "gradually adopting the Russian system, while Russia moves gradually in the direction of the American system."

❏ Sound crazy? Perhaps, but to those with a wide knowledge of current problems affecting American business there is a fear that we are losing our American way of life.

❏ Comments by many leading Americans indicate that a "paraproprietal society" is a distinct possibility unless we reverse the current trend.

❏ James Hoffa says that in the foreseeable future, "there will be no place in America for the small business, small union, or family farm."

❏ Burton K. Holmes predicts that in the next few years "Communism, in one form or another, will blanket the world. . . ."

❏ Two German students, 145 years ago, made this prophetic statement: "The choirs are marshalling on both wings of the world's stage. Russia is leading the one, and America the other, but a day will come when the contest between the two will end in the complete downfall of one, and victory for the other."

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If these statements aren't enough to shake us out of our lethargy, how about these?

Paul Porter, former head of the War Labor Board: "All natural resources, all banks, insurance companies, public utilities, all basic industries, will become public property in the United States."

Robert Liebenow, Chicago Board of Trade: "We are being spoofed into a welfare state, a bite at a time."

World renowned historian Charles A. Beard in 1932 declared: "We must eventually come to a system of cartels controlled by a national planning council controlled by labor, industry, and government."

And this from a panel of government economists: "The Federal Government is the only instrument we have for guiding the economic destiny of our country."

Dr. Ernest Fisher, Columbia University: "We ought to set up a local housing agency financed by Federal funds to buy and build pools of existing dwellings in urban renewal areas, to rent to low income families, and when a contractor cannot make a profit on the work, the housing agency construction crews should take over the job. Also, financial aid to landlords for property rehabilitation, if they do not raise the rent."

Is it possible that Lincoln was correct when he said that America's destruction would "come from within"? Certainly it's time for action when student polls show two-thirds voting clothes and sports "more important than patriotism."

The expression "Paraproprietal Society" is that of Paul J. Harbrecht, S. J., and Adolph A. Berle, Jr., who see the "new system emerging" in which the huge corporation, pension trust, huge union, and huge Government will be all-engulfing and be imbued with a new kind of "corporate social conscience."

Which course shall we take in this struggle? Shall we fight to maintain our American way of life or leave the country open to creeping socialism? The choice is ours. And we had better make the choice now before it is too late.

Business *and* Politics DO Mix

The hottest extracurricular activity of many corporate managements today is not golf but a more complex game—politics. These managements are surging back into what they sense as a breach in their security. They are marshaling executives in training courses for practical politics and issuing ready-made arguments for the fray. If this intense effort becomes just another blind bid for power, business-in-politics will again be engulfed by the big battalions against which it flings itself. But, simultaneously, another trend is at work: many businessmen are

(Reprinted from the December 1959 issue of FORTUNE Magazine by special permission; © 1959 TIME Inc.)

rediscovering political ideas that dominated the U.S. long before it became "a business country." They are deepening their understanding of the relation between democratic political principles and free enterprise. If enough of them act upon what they find, the unnatural antagonism between business and politics will abate. Businessmen will discover that the primary aim of their present intense political program is the defense of a system in which other and more numerous segments of the society also have a stake.

The two new business trends—vastly intensified interest in practical politics and a strenuous reaching for political principle—are destined to be bound together or to fizzle out separately. But each trend has an interesting, separate history of its own.

Within recent years a few pioneers—notably General Electric, Ford Motor, and Johnson & Johnson—boldly began to experiment with frankly labeled "political action" programs involving (1) the direct encouragement of employees to engage in political activities, and (2) the open declaration of corporate positions with respect to controversial political issues. Today General Electric and Ford have fairly elaborate

departments that are exclusively concerned with government and political affairs, and are headed by executives of standing who have the full confidence and backing of top management. In recent months both G.E. and Ford have been besieged by visiting delegations and inquiries from companies that are contemplating similar programs. Among the larger companies that have already undertaken fairly comprehensive political-action efforts are

and given the whole business-in-politics movement an exciting grass-fire effect. The typical program works this way: In groups of 12 to 20, supervisors and junior executives spend a couple of hours a week for 10 weeks or so (sometimes on company time, more often after office hours) studying such subjects as political precincts, political clubs, campaigns, party financing, patronage, etc. Often politicians from both parties are brought in as guest

Corporations are intensively taking up "political action." The new enthusiasm could fizzle out, or it could arouse fresh anti-business passions. But developed wisely, it could lead to some constructive changes in U.S. society.

Gulf Oil, American Can, Monsanto, Republic Steel, and Borg-Warner. Hundreds of other companies, large and small, have sponsored bipartisan training courses in the art of practical politics for their middle-management people.

The "practical politics" seminar is certainly not very weighty in intellectual content, but it has pulled thousands of young businessmen into the picture, created an enormous amount of publicity and talk,

lecturers, and usually students supplement the study periods with a certain amount of field work: they are detailed to make door-to-door registration canvasses, write letters to their Congressmen, etc.

The U.S. Chamber of Commerce brought out a practical-politics course last year, which has been used by 162 individual firms and 479 local chambers; over 20,000 people have taken it. The N.A.M. has a course that has been purchased by

around 100 companies and taken by some 5,000 people. The Effective Citizens Organization (E.C.O.), a corporation-sponsored group, has presented a special seminar at universities around the country to over 1,000 executives from the top-level managements of more than 500 companies since 1956, and reports that it can no longer keep up with requests for the presentation.

When it comes to the more ticklish phase of declaring corporate stands on issues, there is a wide variety of approaches. Quite a few managements feel that a company should speak out only on those issues that affect its operations directly and visibly. Others, notably General Electric under the leadership of Ralph J. Cordiner, speak out boldly on issues ranging from labor laws to foreign policy.

Action and Passion

What generated these programs for practical politics? Not, certainly, pure cerebration about the relation between economic and political principles in a free society. To most Americans, life, as Mr. Justice Holmes once put it, is "action and passion." There was plenty of passion in the conception of the present wave of corporate political action. The elemental emotion most prominent was

fear of the political power of organized labor. When businessmen saw labor strength persisting through a Republican Administration, when they saw in 1958 a Democratic victory that they attributed to labor, they became more than ever convinced that they had to organize a countervailing movement.

The limitations of merely passionate action become apparent. Assume that labor is as well organized for politics and as skillful as many businessmen think it is. Then, obviously, it will be a long time before management matches labor in political savvy. And what happens when management does become equal in political skill? It will confront an opponent several hundred times as numerous in a contest where numbers are decisive. Indeed, for 25 years this is the way the battle lines, if such they are, have been drawn. Every effort to mobilize business for politics has been instantly seized upon by political opponents of business as the most effective way of defining their own position and increasing their own ranks. Franklin Roosevelt was a past master of the political judo by which the political exertions of business were made to land business on its face.

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Some of the wiser business leaders who are committed to the principle of corporate political action recognize the peril. Vice President James Worthy of Sears, Roebuck says: "There is serious danger that enthusiastic amateurs will make mistakes that will give the whole idea of businessmen in politics a bad name. What has started out as a trend of

advance. The suspense in the present situation derives from the presence of some factors other than interest and passion—some factors of rationality that make up the second trend. On the labor front, for example, businessmen began to note that the framework of debate had been altered against them. They looked up from the annual or biennial or permanent collec-

After much brooding by top management, Ford Motor Company is now fully committed to a policy of political action. Ford's civic-affairs department has been renamed the Office of Civic and Governmental Affairs, and moved up in the organizational hierarchy. Allen W. Merrell, long-time assistant to the president, has been made director of the office. A high-level committee, which includes Henry Ford II and Chairman Ernest Breech, oversees political policies and programs. Monsanto Chemical Company, which has a similar high-level Policy Committee for Government Affairs, named Thomas J. Diviney to the newly created post of Director of Civic Affairs.

great intrinsic value may sputter out as a short-lived fad or—much worse—seriously alienate business from the community at large."

If elemental fear and frustration, if a simple struggle for power through competing group organizations, were all that lay behind the present activity, Worthy's warning could serve as an epitaph written in

ative-bargaining crisis to discover that labor was appealing successfully to public assumptions within which the management case could not be made. They were like ballplayers stumbling after elusive balls who suddenly discovered that the diamond was no longer the one prescribed by the rule book; hurdles had been erected at points inconvenient for the

defense. They saw that the management-labor contest had to change, in part, from a players' competition for the most runs to a debate over the changes in the playing field and in the rule book.

Nor did all the influences leading to the present corporate political activity have the high emotional charge of the labor contest. The case of Johnson & Johnson illustrates how practical business problems can lead toward corporate participation in politics. Back in 1951, Chairman Robert Wood Johnson called a meeting of his principal executives to make a general assay of the company's situation. They agreed that production was well ordered, sales splendid, and research extremely promising. What's more, Johnson & Johnson did not, in its opinion, have a labor problem. "We have," summarized General Johnson, "only three major problems: (1) inflation; (2) taxes; and (3) our inability to set aside sufficient funds for the capital expansion we calculate we'll need." But there was very little that Johnson & Johnson itself could do about any one of these problems—they were all posed by government, and the solutions lay in politics. It was at that point that Johnson & Johnson started

a movement to prepare some of its people for political action.

What happened at Republic Steel illustrates the next step—the step that took corporations into the study of political principles. Republic, about to set up a political-action training course, decided to run in advance a survey of its managerial brains. It found that 87 per cent of supervisors had no clear idea of what kind of government the U.S. Constitution sets up; 55 per cent didn't know how federal laws are passed; and 49 percent couldn't explain why balanced federal budgets are important. The men surveyed could not have said what business wanted in politics or why it wanted it or how its objectives related to the society as a whole. In the face of such ignorance, apathy, and disconnection, any program of practical political action by business was doomed—even if the roster of American management had contained all the great political organizers from Julius Caesar to Sidney Hillman.

After pondering the survey, Republic turned for help not to practical politicians but to academic authorities on fundamental political ideas and institutions. A team of professors and others designed for Republic a course spanning the entire spectrum of political science

and emphasizing such subjects as the federal constitutional system and the role of the Supreme Court. A group selected from Republic's staff, now taking special training, will in turn conduct the course for other employees.

In Mark Hanna's Golden Days

The question arises: how come business now has to squeeze its knees under the desks of the political first grade? For American businessmen were not always as threatened and bewildered lambs in the political arena. In Mark Hanna's golden days, business in politics spoke with confidence, and, often, command. "The business interest," candidly so called, could be effectively and even ravenously pursued without much thought for the rules of the game. What changed? The briefest survey of the historic shift will explain why business is today developing an intense interest in the principles of political economy.

In its political heyday business overstepped boundaries deeply posted in public morality. Such conservators as Theodore Roosevelt and Woodrow Wilson vigorously expressed reservations about the political activities of favor-seeking businessmen. The great depression exposed a long-growing weak-

ness in business' public position. Businessmen had taken too much for granted the political and economic system in which they operated. They did not know enough or care enough about it, and they did not understand the extent to which it had been undermined by their enemies and by themselves. This accounts for the apparently incredible suddenness of the businessman's fall from public favor. To be sure, up to the New Deal, both major parties were glad to have business leaders publicly arrayed at their sides; as late as 1932, John Raskob, of du Pont and General Motors, was at home and welcome in Democratic politics. But within a few years the name of Pennsylvania's Joe Grundy, an honest and intelligent reactionary, had become a recognized liability to Republicans. In 1934, Walter Lippmann soberly wrote: "In the past five years the industrial and financial leaders of America have fallen from one of the highest positions of influence and power that they have ever occupied in our history, to one of the lowest." Under the circumstances, there was little wonder that young men entering business were thoroughly indoctrinated with the idea that "business and politics do not mix." And most of the subsequent ef-

forts to mix them have turned out badly for business because it continued to underestimate the damage that had been done, in public opinion, to "the system."

Support of the principles of a free political economy had been so weakened that there was little resistance to a long series of "practical" expedients, which had the effect of altering the essential rules of the game. Farm subsidies were not proposals of doctrinaire Socialism; they merely seemed like a good idea at the time, a way of dealing with an enormous and urgent practical problem. But farm subsidies, as we now begin to see clearly, have deep and dangerous consequences in a free-market economy. It may be to the immediate interest of a given corporation that its farmer-customers have pockets full of government cash. The long-range effect on business of farm subsidies, however, is to undermine the free market and the economic-political complex of institutions bound up with it.

U.S. labor, the main emotional stimulus of business-in-politics, is not consciously against the system or even committed to a class struggle with management. Labor, nonetheless, manages to define its aims and establish its values to the extent it needs to do so. For

labor is neither defending a system nor explicitly engaged in trying to establish an alternative. It is pursuing particular expedients, some of which may be and some of which may not be compatible with the needed ground rules of a free society. Should business follow suit and fight each issue on its narrow front? If it continues to do so, it will lose.

Foremost in realizing this has been General Electric's Cordiner. All the elements—passionate, practical, and rational—stimulated General Electric to its present position of leadership in the political resurgence of business. Labor pressure became so intense that G.E. saw that it touched fundamental aspects of the political economy. But G.E. spokesmen did not stop with dire warnings. They began to work on public problems, some not directly connected with General Electric. Testifying this year before a Senate committee, Cordiner opposed farm subsidies. His main reason throws much light on the new attitude of business. As a manufacturer, he could have adopted the classic stand that artificially high food prices raise labor costs and thereby hurt his competitive position in foreign markets. As a heavy corporate taxpayer, he could have argued that farm subsidies

were unfair. He bypassed both these positions and attacked farm subsidies on the general ground that *all* peacetime subsidies are contrary "to the ideal of a free society" because they interfere with the proper working of a free market.

General Electric has shown

that it continues to respect such principles even when they hurt. A recent corporate bulletin looks askance at too heavy federal expenditures for airports. The chief beneficiaries of such subsidies are the airlines—important customers of G.E. Cor-diner understands that in the

When Business and Politics Mixed

That businessmen today are preparing for the open and unabashed invasion of the political arena is news of a highly dramatic order. For the present generation of businessmen, politics has been a dirty word and the rule for aspiring junior executives was "business and politics do not mix." It was not always so.

Indeed, for most of U.S. history since the Civil War businessmen and politicians were the coziest of bedfellows. Marcus A. Hanna (1837-1904) was both. A Cleveland industrialist, with a fortune made in coal, iron, oil, and banking, he became the topmost boss of the national Republican party, and with the aid of a \$3,500,000 war chest assessed on U.S. corporations, he masterminded William McKinley into the presidency.

In the year 1932, John J. Raskob of General Motors and E. I. du Pont, had two things in common with Newton D. Baker, ex-Secretary of War, and Frank C. "I am the law" Hague, New Jersey boss. He was a Democrat, and he opposed the nomination of F.D.R.

An honest and outspoken reactionary was Joseph R. Grundy who is now ninety-six. After Roosevelt won, he became an anachronistic survivor of the Mark Hanna kind of business-in-politics.

highly dangerous political climate of this generation the deeper long-range interests of any corporation may run counter to that corporation's immediate pocketbook interest.

A corporate self-denial of immediate interests, however, is not the way to resolve such a conflict. Cordiner and others in

the van of the present movement seek a solution by connecting immediate, practical problems to their long-range concern for the health of the free society. The point is illustrated by the story of how General Electric got involved in political activity and political theory.

(Business and Politics will be concluded in the October issue)

Special Edition Will Mark NMA's 35th Anniversary

This year the month of October—NMA's 35th Anniversary—will be marked by one of the most ambitious journalistic efforts ever attempted by MANAGE.

MANAGE, a publication which has always encouraged better management practices in business and industry, plans to present a special October edition featuring a star-studded list of authors.

Among these are George Odiorne, an industrial relations expert at the University of Michigan, whose article "New Hope for Mavericks in Management" will prove of interest to all management personnel concerned with the initiative-stifling "Yes, Boss" routine in American industry.

Another article, "Operation Bootstrap," by George Underhill tells about Puerto Rico and its booming economy.

These are only two of many provocative articles that will appear in the big October issue.

Because the editors foresee a great interest in the October edition, they are ordering extra copies from the printer to cover the anticipated heavy demand for this particular issue.

Live the Split Level Life

by Betty French

Worried about retirement? About finances? Afraid of vegetating in the looming "Age of Leisure?" Feel your life is dull and your job dead-end?

The solution in every case may be the "split-level life."

The principal of a large Ohio high school taught adult public speaking classes, sponsored Toastmasters' Clubs, and always was a sought-after public speaker. Recently he retired, but not into aimlessness or boredom. He still travels around his state and beyond, making an average of two speeches a week—for pay. In addition, he and his wife spend winters in California, courtesy of a corporation which hires him to conduct public speaking short courses at its Los Angeles plant.

This man lives the split-level life. It is not new. Leonardo da Vinci lived it. So did Thomas Jefferson, Cicero, Benjamin Franklin, and so do many of our most productive contemporaries, from Winston Churchill to Steve Allen.

What is this split-level life?

It is building one's life on the solid slab of one breadwinning job or profession, and then erecting upon that slab a second

Da Vinci Lived It . . .

So Did Jefferson,

Franklin, Churchill . . .

So Can You!

floor, another vocation or avocation, to be pursued concurrently or alternately with the first.

For example, the mayor of our suburb is a newly-retired industrial executive, who served the community in many volunteer jobs before his retirement, and election. An antique car enthusiast is now semi-retired from business and happily engaged in restoring precious old cars for a Cleveland firm which maintains a museum of antique autos.

Why do more of us Americans need this kind of life?

Because, with our constantly shrinking work hours, we're all becoming members of the leisure class, and we don't know how to play the part. The late Sumner Slichter, the economist, once observed that most men are not prepared to make good use of suddenly enlarged amounts of leisure, and his words are being dramatized, like perpetual games of charades, all around us.

We are buying 18-foot power boats when we've never paddled a canoe. We are flying off to tropical isles we've never heard of. We invest in stereo although we've never been to a concert. And we go in madly, successively, for skin-diving, water-skiing, and hunting on expensive private preserves.

We are wasting time, money and energy without gaining real satisfaction, and without investing in satisfaction for the future. We are riding hobbies as never before, but few are of deep interest to us. On the contrary, they seem mainly to be a way of killing time.

In her book *The Arts of Leisure*, Marjorie Barstow Greenbie cried, "Is this all there is to life—this bouncing up and down on hobby horses?" and added, "How melancholy a thing is time, if all one can do with it is to kill it!" And Mortimer J. Adler, the philosopher and educator, underscored the point when he warned that play for its own sake, in order to kill time or escape boredom, is as neurotic as sleep for its own sake.

In split-level living, time is filled to the brim with vital activity, so that there is no need to kill it, and no chance of encountering boredom.

Some authorities suggest that Puritanism is our problem—that we've never been a playful nation. Margaret Mead has written that the typical pattern of American culture always has been that leisure is a thing to be earned and re-earned. Our consciences still are pricked with Poor Richard's "Trouble springs from idleness and

grievous toil from needless ease."

This vague guilt at idleness partly explains the headlong do-it-yourself movement. It also may partly explain moonlighting. This is, of course, holding down two jobs at once, and there are more than 3,000,000 men doing just that in America today. Many unions oppose moonlighting, deeming it bad citizenship to hold two jobs and deprive another man of one. However, in split-level living, most of the second jobs fall in the category of "self-employment." Thus they increase the all-over number of jobs and stimulate the economy as a whole.

We Americans need the split-level life, then, as an answer to our Puritanical guilt at idleness. We need it for several other reasons, too. One is that such a life-plan encourages the traditional American qualities of independence and self-reliance, and combats that much-decried evil of our times, slavery to the "organization."

A corporation engineer I know built his own house, and enjoyed doing it so much he entered the real estate development field as a sideline. A New York minister tried sculpture to express his belief in "the creativity of life," and his one-man show recently was re-

ported in the *New York Times*. Both men have demonstrated they can live on the dual levels of the standardized organization and the self-sufficient individual, so they no longer feel trapped by the former.

Another, final asset of split-level living is that it counteracts our age's worship of specialization. We have pigeonholed knowledge, have labeled ourselves "experts" and rejected everything that wouldn't fit in the pigeonholes. The late philosopher, Alfred North Whitehead, warned against condensing human life into such compartments, against turning out "minds in a groove."

The split-level life helps, then, to escape narrowness. Also, to live life to its broadest and fullest and deepest. To develop to the utmost the abilities God gave us. To cultivate more than one passionate interest and purpose. To make sure we never grow old in enthusiasms nor in usefulness.

An ideal way to achieve all this is when one level of life is strictly practical and the other purely creative. Among notable examples is William Carlos Williams, the poet, who was for 50 years an active country doctor. Another of our finest poets, Wallace Stevens, was on his "other" level vice-president

of the Hartford Accident and Indemnity Insurance Company. And Lewis Carroll, of *Alice in Wonderland* fame, was known during his lifetime chiefly as a mathematician.

But the split-level life is not just for the poets and writers, nor for geniuses so versatile they can excel in almost any field. Personnel experts say that most of us have aptitudes enabling us to succeed in several kinds of jobs, and that very few have what is called "exclusive vocation."

Both levels can be entirely practical. The plumber need not, in his "second" level, express himself writing symphonies. However, he may find that love of nature leads him into a job of week-end camp counseling and adds to his income, his knowledge, and his enjoyment of life.

Service to the church, community or nation may be one of the most satisfying second levels—if it is more than superficial dabbling in too many causes which never seem vital or significant. An example of such public service lifted to a new level is provided by Clarence Randall, former chairman of the board of Inland Steel Company. At 65, when his retirement as chairman of the board was announced, Randall was en route to Turkey to

review economic conditions for Washington. He has been serving his country and fellow men in various ways ever since.

How to start living such split-level lives?

Obviously, there is no master plan to fit everyone, since everyone is different and split-level living by its nature rejects standardized formulas. But there are some preliminary steps anyone can take.

First, Know Thyself. Study your abilities and interests. Decide what you really want. What are the important values which seem to be missing?

Second, Study Your Job. Is it really your life vocation, what you were intended to do? Or is it only partially fulfilling? Can you make it more so? If all the answers are no, maybe you should start over. Maybe a new excavation should be dug and a new, more solid foundation laid. Probably, however, it will be more practical to concentrate on turning a present hobby or interest into a full-fledged second floor.

Next, Analyze Your Other Raw Materials. Your present situation, your age (although it is seldom too late,) your aptitudes, skills, opportunities. Look around carefully. Many of your assets may be intangible, invisible, but you may spin from

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seemingly nothing the ingredients of a new occupation or way of life.

Finally, Learn This New Field Thoroughly. Take it seriously. Become an expert. Remember, this is not just a hobby, and you are not merely killing time. The breadth and vitality you add to your life will be in direct proportion to your efforts to learn and grow. Remember also, a quick change in the financial situation should

not be your objective. You are building for a new life, for all the rest of your life.

Of course, in the split-level life one floor must be used more than the other. As Thomas Hobbes said: "When two men ride one horse, one must ride in front."

As somebody else said, it is good to die with your boots on. But how much better, in the new Age of Leisure, to have two pair of boots!

Calendar of Events . . .

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Section A

First-line Foremen, Supervisors

"Human Relations Techniques" . . . Oct. 3-7, Oct. 31-Nov. 4, Dec. 5-9, Jan. 9-13, Feb. 6-10, March 6-10, March 20-24, April 3-7, May 1-5, June 5-9.

"Developing Supervisory Skills" . . . Oct. 17-20, Dec. 12-15, Jan. 16-18, Feb. 13-16, April 10-13.

"Cost Reduction Techniques" . . . Oct. 10-13, Nov. 14-17, March 13-16, May 15-18.

"Communications—Key to Improved Leadership" . . . Oct. 24-27, Jan. 23-26, May 22-25.

Section B

Second Level Management

"Modern Leadership Techniques" . . . Nov. 7-9, Feb. 13-15.

"Creativity for Superintendents" . . . May 8-10.

"Cost Reduction Techniques" . . . Nov. 28-30, April 24-26.

"Communications—Key to Improved Leadership" . . . Jan. 30-Feb. 3.



Flies High

Rayco is a company with a split personality; one profile presents a corporate image and the other that of an independent, small business enterprise.

In 1945, at the close of World War II, Joseph Weiss and Harry Wachsman, (the latter was previously in the duffle-bag manufacturing business), entered into a joint venture to manufacture and sell auto-seat covers. Later that same year,

• Parlays Auto-Seat Cove

Jules Stern was admitted as a third partner. The name of the company was compounded of the first name of the wife of one of Mr. Weiss' original associates, "Ray" and the addition of "co." The company was located in Paterson, N.J. Subsequently Wachsman and Stern retired.

The three keystone stores of the Rayco chain generated a gross of approximately \$100,000 in 1946. This served to convince Weiss that his unique concept of the "Open Stock" system (a merchandising prin-

ciple developed by Rayco that permits the interchange of auto seat covers between many different years of cars) was sound. He felt he now held the key to future expansion, and he proceeded to use it with vigor and enterprise. The potential involved by the fact that a majority of autos on the road in the post-war period were sadly in need of refurbishment was interpreted by Weiss as an outstanding opportunity on which to base his budding Rayco enterprise.

Starting with three stores in 1946, the Rayco chain now

There are other important new pilot operations in the service area that will get underway this year, plus refinements in retail store operations that will open up new avenues for potential increases in sales and profits.

The arithmetic projected by various Rayco departments points to a jump in gross business for 1960 of upwards of \$8.5 million of which the new stores will account for approximately one-half, and general chain increases for the other half.

The jump in gross sales pro-

Seat Covers Into Multi-Million Dollar Business

numbers 151 units, spread from Los Angeles to New York, from Chicago to Miami. Knowledgeable industry sources estimate that Rayco grossed close to \$34,500,000 in 1959. Weiss now has committed his company to adding a minimum of 30 new Rayco stores during 1960.

New products will be added to the Rayco line during 1960—tires and batteries definitely (two pilot stores have been selling Rayco tires since last February), and possibly another new product.

jected for 1960, astonishing as it may appear, becomes almost insignificant when laid down beside Weiss' five-year projection for Rayco—more than \$100,000,000 in Rayco products to be sold by 300 Rayco stores in 1965.

Nor is this confidence run rampant.

Rayco has become as near to being a scientific retail and manufacturing operation as it is possible with the electronic tools presently available.

Working with two major components, Rayco has created

authoritative yardsticks and patterns that can be proved as precisely as the addition of a column of figures.

The first of these components is industry figures: national sales totals of the type of products they sell, the new and used automobile market, population increases, disposable income figures and other basic data.

The other component, scientific projection of Rayco's retail sales, (a major imponderable to a majority of businesses), has been reduced to a proven formula by the continuous use of skilled research, \$500,000 worth of IBM computers and the development of an organization that has established an unprecedented record of success in the operation of a chain of retail stores.

Early in the history of Rayco a complex of expert executive services was established and has been continuously augmented to serve the individual stores, so each would have constantly available the experience and abilities of a complete organization.

Over the years these services have been expanded, departmentalized and augmented, a result of Weiss' clear recognition that the entire marketing picture and particularly competition, had radically changed since Rayco was founded in

1946. Further, Weiss envisions even more radical changes in the future.

The scope of Rayco services commences with the determination of a new location. In itself this is an intricate function, involving minutely detailed research. The evaluation of a prospective new store location is so complete that the gross sales of any potential site can and must be forecast before the ground is leased, or purchased, and long before the first architectural drawings are prepared.

After it has been determined that the potentials are present and the signal has been given to proceed with a new location Rayco's real estate department goes into action and works out the details of the lease, or purchase. Zoning is resolved. The architectural department goes to work, designing the structure. Rayco's legal department also swings into the act, with the net result that all details of the new location, in balance with the fundamental principles gained by experience, are ironed out and a Rayco retail facility, of about \$150,000 average in cost, gets under way, with all construction details under control of Rayco's corps of experts in this field.

The decision to build a new Rayco retail store also puts in motion a campaign to prepare

From its modest inception, to the stature it now enjoys, Rayco owes a tremendous debt to the ideas and courage of its 49-year old president, Joseph Weiss.



a suitable associate to operate the new store.

As each new store comes out of the ground, other Rayco divisions move forward on strictly scheduled planning. A skilled training crew moves into the area and after recruiting the necessary work force for the store, proceeds to set up training classes to instruct the work force in the proper installation of Rayco products. A construction supervisor makes regular checks on the rising store. The advertising division, which has acquired basic data from research, moves into consideration of the media that will most effectively reach the consumers in the area. The merchandising division evaluates and supplies the basic in-

ventory assortment which averages somewhat more than 10,000 individual items. Critical commercial potentials of the area, in specific terms of what used car dealers, what fleet operators and what insurance companies are prospects for the new Rayco stores are determined.

In the interim, the operator selected for a new facility undergoes an intensive educational training course at Rayco's headquarters in Paramus, N.J. so he will be familiar with every service supplied by Rayco. After his training, the new manager will emerge, with a comprehensive knowledge of the Rayco retail operation. But because it will be to some extent new material, Rayco will

bolster his opening operations with a battery of skilled headquarters personnel.

The installation department will move in en masse to start him off, after the interior design department has set up his salesroom and the engineering department has worked out his installation operations.

A special team of coordinators, which will be responsible for every detail down to making certain he has proper mail permits and a telephone in the

enormously detailed steps preceded the introduction of new styles and designs in seat covers and convertible tops.

Supplying the chain is a 250,000 square foot Rayco factory at Pawtucket, where millions of seat covers and convertible top units are manufactured each year. (Rayco also has a factory in Puerto Rico). (Rayco's first factory in Paterson, occupied 5000 square feet and employed 12).

Rayco's advertising agency

In an industry comprising thousands of small, independent units, with an estimated gross of \$1,250,000,000 in 1959, Rayco stands as a monument to superior organization. It is the largest integrated manufacturing-retailing complex in the replacement automobile-accessory business, and it might be classed as the sole example of its particular kind in the nation.

new store, will handle the opening of the facility. They will stay on the job until it is determined that the new store is operating at proper efficiency level.

To assure high level performance of all Rayco stores, each group of 5-7 stores is supervised by an experienced regional director.

To guard customer satisfaction, a constant focus is maintained through styling and design of the products and

will expend \$3,000,000 in 1960 to promote consumer interest in Rayco products.

Rayco's store operators spend hours with the heads of the departments responsible for the merchandising of the five categories of Rayco products (seat covers, convertible tops, mufflers, shock absorbers and accessories). They learn how the integrated advertising evaluation program works, and how to install the system; observe at first hand how individual

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store sales potentials are projected, studied, checked and revised each three months. In brief, they each find that they have a staff of more than 300 highly trained and experienced executives continuously guiding their efforts and providing them with every possible service to ensure the success of each Rayco store.

Rayco store managers leave headquarters with the knowledge that their daily and weekly reports will be fed into an organization constantly seeking to prevent their making mistakes while at the same time dedicating every effort to ensuring maximum potentials for sales and profits.

They learn the fundamental facts of merchandising—that prosperity has attended Rayco because Rayco furnishes both products and the servicing of the products the consuming public seeks.

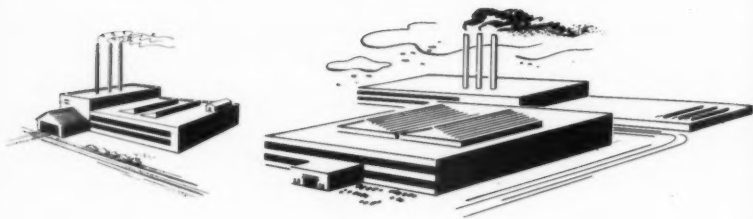
Each store's inventory is kept under constant surveillance to catch any imbalance that might tie up more funds than Rayco considers necessary. Details of product improvements, installation methods, new tools and techniques flow constantly from headquarters to each store. New procedures for handling and extending retail credit business come from the responsible department at Ray-

co headquarters. Group Rayco benefits, including chain insurance coverage, are provided for each store.

Complete information on all new cars and the potential individual replacement requirements will be in every store operator's hands long before they see the first customer with a new model-year car. Likewise, new trends in consumer buying will be passed along and at regular intervals over the year, special promotion efforts will be worked out for each store, based upon local conditions in that area. Periodically, they will attend regional and national meetings with Rayco's executive staff.

Aside from the mechanical and merchandising advantages enjoyed by all Rayco store operators, they have another singular edge on their competition—what other retail auto accessory store operator in the country, (except another Rayco manager), can point to a staff of more than 300 experts to assist him in operating his business?

Dun's Review reports 12,707 small businesses failed in 1959. In the 14 years of their history, there has never been a Rayco store that failed.



The Urge to Merge

by Louis B. Seigle

An important issue in management is growth. This issue has created an urgency for management to merge. This article discusses the underlying issue which encourages managers to merge. Managers are measured by the development of the enterprise they manage. Merging is a means to obtain this development, and it is a means which *all* managers must keep in mind. They must become familiar with the mechanics of merging, and more important, the post-merger problems that develop and how to cope with them.

Why Merge?

The progressive manager in a corporation in our dynamic

economy is constantly directing his efforts toward placing his firm in a more favorable economic position. He desires greater sales and a higher profit after taxes. More basically, progressive management is associated with ambition, drive, and growth. This growth may come from within or from external sources. Thus, an important reason for merging becomes clear. Why not expand by acquiring firms rather than expand internally? This is the question management proposes when thoughts turn toward growth. A. D. H. Kaplan, a leading scholar of capitalism, stated the following about the merger movement of the 1950's:

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"In this current movement, not only does the initiative come primarily from management rather than from outside financiers, but there is a very definite focusing on the growing enterprise."

The two very important and interrelated elements seen by this statement are *management* and *growth*. Managers, more than ever before, must be concerned with thoughts of merging. There really is an urgency to merge, and this is of a personal nature to the manager. He is measured by the growth of his firm. This is the stockholders' measuring device and the manager can only accept it.

Kaplan goes on to say about the merger movement—

"Factors at work have been the scarcity of superior management to meet a tougher competitive era, and the enlargement of the scale on which new resources must be commanded to keep abreast of technological progress and market realignments. Tax considerations and the favorable climate for new investment have also been significant; stockholders have attached increasing importance to investment for growth and have supported the use of the company resources to acquire facilities."

Again, the idea of "investment for growth" is the important concept, and stockholders are supporting management in their expansion efforts.

More evidence to support this trend in the reasons for merging was offered by Professor Clare E. Griffin, University of Michigan. He felt mergers had been motivated to a larger extent by managerial reasons as contrasted with those of the 1920's, which were often initiated for financial reasons.

Very little has been written about merging, per se, as being an important issue for all industrial managers. We have attempted, therefore, to find evidence of this issue by probing into the great mass of writing done on business concentration and anti-trust philosophy. The data on the merger activity of small and medium-sized corporations do not appear to be available. The nature of the transactions is such that it is often difficult to gain the data. The only business mergers which receive any great attention are those which do possibly violate some anti-trust legislation. These firms are usually among the largest in their respective industries.

Professor J. Fred Weston of the University of California, and an authority on mergers, cites the following factors

which in his opinion lead firms to engage in mergers.

"The desire to achieve production economies of large-scale and multi-unit operations

"Possibilities of achieving distribution and advertising economies

"Financial advantages of large size

"Strategic control of patents

"Acquisition of financial resources

"Possibility of obtaining able managers and executives

"Tax advantages

"Gains from the sale of securities

"Gains of promoters

"The desire to limit competition."

Vertical integration, by backing up to have raw products within your corporate domain or going forward to acquire better distribution of your finished goods, is the most com-

mon reason for merging. A good example was the merger of Mathieson with Olin Chemical in 1953. Each company was most likely self-sufficient to operate alone very profitably. However, Olin felt the need for top management in their firm and believed this could be gained through Mathieson's president. Other factors encouraging the combination were product diversification and the complementary use of products. Olin would have a good supply of basic raw materials for its large volume in explosives and ammunition. Mathieson's caustic soda and chlorine could be used in Olin's paper manufacture and its glycol in making Olin's cellophane. This merger, Olin (assets of \$339 million) and Mathieson (assets of \$232 million), was probably the most spectacular the chemical industry had seen in recent years.

Another important reason encouraging business mergers is research and development. This was presented at an American Management Association conference in 1958. To stay competitive in most areas of business it is essential to carry on a bona fide research and development program. Unless a corporation has the capital to explore areas for products, sometime with or without fore-

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seeable commercial application, it cannot attract or retain top research and development people. A small corporation might be able to attract some superior talent through high salaries, but this does not prove to be sufficient. It takes a secondary group of people to develop the ideas of the talented, along with expensive facilities. This requires a great amount of money. Thus, the industrial manager, faced by the rapidity of scientific developments along with a high cost of attempting to research and develop internally, often eliminates the possibility of interior growth. This naturally leads to mergers.

The Merging Process

The actual mechanics of acquiring a corporation are complicated and usually require the help of outside consultants. The evaluation process is complex. Fixed assets, inventories, receivables, and the other balance sheet items need to be checked over carefully. A physical audit of the plant and equipment is naturally a necessity. The earnings record is an important criterion and is gaining more prominence as a leading factor in determining the purchase price. Other factors to consider are the position of the corporation in its industry, its tax position, and the

company's contingent liabilities. Typical of many management problems, the industrial manager must evaluate the proposed acquisition in light of what is desired from it when absorbed into his own corporate structure. This is no easy problem.

There are many tax considerations. The purchase price may be handled through the exchange of cash, securities, or both. The merger may be "tax-free," "a pooling of interests," "a work-out," or "taxable."

An example of the so-called "work-out" deal was Gillette Safety Razor's purchase of Toni Home Permanents. The deal involved—1. The payment of cash generally related to the fair value of assets purchased; 2. An additional cash payment representing a measure of earning power; and 3. Future contingent payments based upon future net profits of the business acquired.

Maintain Status Quo

The industrial manager must decide the best approach to take, being certain not to completely disrupt the status quo of the acquired company. Stockholders must be considered as well as all the personnel who will be coming under the new management. As in all business decisions, financial

management is closely tied to the human relations of the situation.

Once the acquisition is made and the manager has increased his status by the previously mentioned growth standard, he has to continue to prove himself by managing it effectively. The key word in post-merger consideration is compatibility. The areas where compatibility must be achieved are conflicts in corporate policies like centralization versus decentralization; liberal dividends versus

retained earnings; personality clashes as well as conflicts in personnel policies; financial disharmony, as conflicting types of financial controls; marketing divergencies, like disparities in sales organization and methods; and labor unions.

When the industrial manager has favorably resolved the problems mentioned, after the merger, he is commended by his directors and stockholders. He has achieved his status as a progressive manager. He has satisfied his urge to merge.



"Oh, don't worry—He isn't entirely unapproachable—Just bow as you enter."

**Big Business is Throwing Money, Talent Down the Drain
In Thoughtless Search for High-Priced Executives**

Executives . . .

SOUGHT, BOUGHT, MISUSED!

by J. Harvey Daly

For several years now the corporate cry throughout American industry has been for "more executives," "better executive material," "greater executive potential," and the quest for "new blood" to strengthen management teams has fast become a major preoccupation of Big Business.

Top management is both specific and exacting in its demands. Whether the candidate is to be a seasoned executive or a potential one, he must be a "young" man with a "high degree of intelligence, controlled ambition, pleasant personality and excellent speech facility." He must also be "decisive," "original" and "mentally courageous." He must be able to "think for himself," "be able to

plan, organize, communicate, delegate and evaluate." There is allegedly no room on any company roster for the "yes" man, but the one who is bold enough to utter an unequivocal "NO" has never lasted long enough to make company history.

So great is the supposed need for able executives that top management is more than willing to pay . . . and pay they do . . . to obtain competent executives. It is not surprising, therefore, to find that head-hunting firms have sprung up all over the country and are doing a thriving business. For fees, ranging from 10 to 20 per cent of a selected candidate's yearly salary or a flat minimum of \$3,000 to \$5,000 plus expenses, such firms invariably

come up with a number of candidates who are approximately "tailored to" their clients' specifications.

Thus, every day in almost every city and town, young, intelligent, personable, ambitious, and articulate men are being "discovered," and "promoted." Generally, they are badly misused, but still the quest goes on.

Are Lucky Winners Lucky?

What about those lucky, selected winners of fat job contracts? What happens to the highly sought, expensively bought executive? Are his executive talents utilized? Is he given the opportunity to strengthen and improve his new management team? Are his talents really needed by the hiring organization?

In a few instances, they are. But in most cases, the candidates voice the same complaints after a year on the new job: "No latitude for action—no opportunity to exercise independent judgment." Accordingly, these dissatisfied executives are soon looking for greener pastures and snap at the lure of other head hunters. Thus, the spiral continues. Head hunting today has unfortunately become a kind of vogue, and the thoughtless waste of executive talent by unheeding top man-

agement is contributing daily to its popularity . . . and debilitating effects.

Take, for example, the results of a recent survey of 150 advertising executives, all earning \$25,000 a year or more: 75 per cent of the executives canvassed expressed dissatisfaction with their jobs! Only 21 per cent attributed their unhappiness to inadequate salaries. The chief reason given was that "management had 'pigeon holed' their talents and not allowed a free rein."

As a consultant with considerable experience in head hunting, I have witnessed a number of executive acquisitions which have had unnecessarily disastrous results. The following case histories taken from my files will give a better exposition of the dangers and pitfalls involved for the companies hunting new heads and for the executives whose heads are being hunted.

A short time ago, the president of a large company sought my help. Head hunting was not his problem. His production was down. Employee morale was low. He wanted help.

Our executive survey revealed the following facts:

Five years previously the president had professed disgust with the majority of his key executives. He complained par-

ticularly about their habit of "yessing" him, their refusal to speak their minds, and their inability to come up with fresh and original ideas. He was determined, he said, to improve his management team. Consequently, he had sought the services of a "head-hunter" who finally provided him with three young, dynamic, free-wheeling, straight-thinking executives with creative ability and the alleged courage to speak their minds. "Now," exclaimed the company president, "I've got some tools to work with—just watch me go." Actually, he and his three new colleagues did go—but not in the desired direction. Nor did they perform as contributing members of a well-knit management team. In less than a year one of the sought, bought, misused executives had resigned. The remaining two executives then sought refuge in conformity. They were still with the company because economic necessity and expediency had taught them how to behave.

Initiative Stifled

Their courage to speak their minds, creative drive, objective thinking, and ambition were, unfortunately, driven into the background. Economics now controlled their action or lack of it. They viewed the presi-

dent's antics through the rising figures on their pay checks and found it advisable to chorus "bravo" at appropriate intervals. The company president was still dolefully shaking his head over the resignation of the departed executive. "Couldn't conform," he lamented, "radical ideas," "didn't know how to get along with people"—but he was equally delighted with the remaining two executives. He considered that their passive acceptance of all his ideas was sure proof of their "extraordinary ability to play on the team," and he actually believed they had strengthened his executive staff.

Fortunately, the results of the survey have convinced the company president that team play is not a solo effort. He realizes now that all he had really wanted in his executives was carbon copies of himself. He is not yet able to face or admit—that his bull-headed actions lost the company an excellent executive—but he is allowing the remaining two a good bit more latitude and independent action.

The results are promising. Production is already up. Morale is making a steady ascent, and the two sought and highly bought executives are now no longer misused. Their penchant for accomplishment is being

utilized, and the team is at last beginning to go.

Another interesting case came to my attention after the havoc had been wrought. A company president, who defines an "executive" as a "fellow who can get a \$25,000 a year man to work for \$15,000"—even though his employees use the same definition for a chiseler—considers himself a strong advocate of an effective management team. He decided one day that he needed new executive talent and, serving as his own "head-hunter," pirated four executives away from competitors. Presumably, he had valid and objective reasons for hiring the quartet. One lad had a "terrific personality"; the second was a "real thinker"; the next had an "unbelievable vocabulary"; and the fourth was a "very smooth and polished gentleman."

"Harmony Four" Off Key

With all the appropriate fanfare the quartet was introduced to the executive staff and formally welcomed aboard. The executive committee, consisting of five long-suffering, hard-working servants of management, was re-activated along with the addition of the four new members. For the first six months the boss continued to rave about the "Harmony

Four," and it looked to all observers as though they skillfully waltzed, fox-trotted and tangoed to his music. Then one day "Personality" left his musical score at home. It seems that the executive committee had had nothing to say about a promotion which in fact had been pushed through despite their discreet opposition. When the boss asked why that particular promotion "fopped"—"Personality" struck a discordant note by carelessly stating the truth. It was readily apparent that one member of the "Harmony Four" had begun to sing "off key."

At the next executive committee meeting, the boss introduced another promotional idea, and urged everyone to speak his mind *now* because "Monday morning quarter-backing cannot be tolerated." The five "old pros" on the executive committee executed the bowing steps of a minuet and pleased the boss very much. "Personality," however, got confused and began a "dagger dance." Unfortunately, he stabbed the boss in his exalted ego—a most vulnerable spot. Well-founded, well-reasoned, and objective criticism was neither welcome nor acceptable at executive sessions. The boss's irritation was stronger than his mild rebuke—"Personality, why are you al-

ways fighting me?" However, it wasn't long before the "Harmony Four" became a trio.

"Personality's" exodus had a chilling effect on the remaining trio, and for the next two or three months they danced rhythmically to the boss's music. The "old pros," being accomplished performers, could slip, slide, and glide to the boss's most difficult steps with or without music—and the three new members attempted to follow suit.

More Misused Executives

After a while "Vocabulary" began to relax and feel secure in his job. He increased his verbiage and frequently confounded the boss, as well as the rest of the committee, with six-syllable words. This reduced the boss's monologue time, and piqued his pride. Then came the executive committee meeting, when "Vocabulary" began to answer a simple question with swelling phrases and splendid sentences. The boss tartly interrupted: "A yes or no answer will be sufficient, Vocabulary." Sic transit gloria.

The remaining duo plodded along until the annual Christmas frolic. Then "Gentleman's" wife, a statuesque blond with considerable private income, made the fatal mistake of eclipsing the boss's wife at the

yearly social event. "Gentleman" twiced danced with the boss's wife, complimented her distinguished appearance and generously praised her charm and dancing ability. "Mrs. Gentleman," too, was sincerely complimentary to Mrs. Boss, but the unforgivable and irreparable damage had been done. It didn't matter that "Mrs. Gentleman" nor her husband had committed no intentional error. What did matter was that Mrs. Boss had been eclipsed in a setting where she had always played the stellar role. The exit door had begun to open for "Gentleman" and within three months he, too, had passed into the limbo of misused executives.

Of the four sought, bought and misused executives only "Thinker" is still on the job. His penchant for "thinking" has served him nobly, because he never takes a stand on anything, never identifies himself with a project, and is never on the wrong end of executive committee voting. He has found questionable satisfaction, benevolent recognition and substantial financial reward in such profound observations as: "You've got a point there, Chief," "Let me give the matter a great deal more thought before I commit myself," and "This is a difficult problem—

let's think about it before we take action."

Recently, a young client of mine was offered a tremendous opportunity with a new firm. Talks, tests, and negotiations went on for several months. At last the deal was closed and the extremely able industrial relations director of a small organization affiliated with a much larger, nationally known organization in a similar capacity.

No Chance to Develop

The first few months went smoothly. Urged to take his time—move slowly—get adjusted and settled—he learned the workings of his department and was soon able to introduce efficiency measures which saved time, money, and effort for the company. More important, the new measures didn't step on anyone's toes; so the new industrial relations director was hailed with pride and praise at the next executive meeting.

His introduction of new forms and employee-centered procedures also paid off for the company and the new executive soon received a \$1,000 bonus and stock option privileges.

By the end of the first year—he was accepted by the executive staff as a permanent member of the corporation family. His financial future was guaranteed—and he presumably

was the envy of all the members of the local personnel association.

Imagine the shocked surprise with which his resignation was received at the end of a year and a half. Even I had thought he might be the exception to the executive recruitment rule.

His explanation was simple. He had security, prestige, position, acceptance—but he had no real chance to develop himself or his department. Minor recommendations and casual reforms were accepted and acclaimed, but really worthwhile projects or procedures were politely but firmly vetoed. Top management was too smug, too comfortable, and too settled to welcome innovations.

The young director is now in a spot with less money but more challenge. He's now busy, productive and happy in his new job but his former associates are still shaking their heads over the "golden opportunity" he threw away.

Here is another recent example of seriously misused executive talents. A very capable, seasoned executive left a corporation where he had enjoyed a fine reputation for 15 years. The new position offered a \$30,000 yearly salary and a "tremendous challenge."

The new executive was more than equal to the challenge.

His performance was so outstanding that he was elevated to the board of directors after only 10 months of service with the company.

The company president and executive vice president were delighted with his performance and continually gave him new duties and responsibilities but without the commensurate authority and the much needed additional help. The proverbial final straw was when the president directed him to operate his department "just as efficiently as ever" but on \$60,000 a month less. The \$60,000 a month was the sum the company was losing in other departments. There is no need to mention that that alliance was short-lived.

Overlook "Home Talent"

Each of the above executives was sought over the entire country for a considerable period of time. Each was bought at considerable expense to the company. Then, each, unfortunately, was mentally and professionally misused. This sacrifice of executive capacity and performance on the altar of ego is shallow, inane, and costly.

This tragic waste of time, talents, and money cannot, perhaps, be entirely eliminated, but it can and certainly should

be reduced. How? The first step is for firms to appraise their executive situation as objectively as possible. Is there absolute need for "new blood"? Isn't it possible that the present staff can be *developed* into the *desired* caliber? Psychological tests and impartial consultants can be of great help in determining this factor.

Too often companies discover too late that they've overlooked unusual "home talent" and settled for ordinary "outside help." By then—the damage has been done. Anger—bitterness—and resentment—can be serious deterrents to individual performance and ruinous to unified corporate team play. If outside executives are neither sought nor bought—they can't very well be misused.

Once the need—or lack of it—is established, the next step is for companies to introduce objective standards for appraising and rating executive performance. This is neither easy nor infallible—but objective standards are possible and much more fair and dependable than the personal whims of the company president or executive committee.

The services of a well-qualified consultant can also help. Because the professional consultant is an impartial outsider, he can more easily detect and

report company strengths and weaknesses—be they personal or industrial—than can on-the-scene employees. The consultant has the confidence of the president and shares the confidences of the employees. Accordingly, he is in a position to help the whole organization get into proper focus. Often his chief value is in helping the president get a proper perspective on his own managerial tendencies and on their relation to the other executives' activities. His techniques and methods are not generally known to laymen, but they are both constructive and effective.

A fourth valuable aid to utilizing executive talent profitably is to assign each executive an *area of authority*. Within that frame, each executive should have complete responsibility and commensurate authority. He would thus be free to make his own decisions and allowed to act on his own authority—completely unhampered by supervisory controls. Likewise, within his own area, the executive would not be subject to over-the-shoulder criticism or the

boss's approval on his individual actions.

This does not mean that each executive would be a law unto himself, for the freedom of executive action that he would exercise would be within the limits of his expressed and specific authority.

It is, of course, important to determine the area of authority in advance and precaution must be taken that an eager beaver not usurp undue authority or go beyond the limits of his prescribed preserves. How? The area of authority should be explicitly set forth in writing over the company president's signature. Besides being specific, it must be recognized, respected and observed by the entire executive staff.

When such measures are introduced and observed, the corporate cry for "more executives," "better executive material," "greater executive potential" can be met—and the present tragic situation of executives being sought, bought and misused can happily be converted into "*Executives! bought, taught and wrought*"—but *never misused*.

The man who really wants to do something finds a way, the other kind finds an excuse.

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They tell me an optimist laughs to forget, and a pessimist forgets to laugh.

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ACT ON FACT

by James Black

Paul Johnson (not his real name) liked to leave work "on the button." He preferred home life to overtime. This taste gave him his chance to stay home permanently.

Paul Johnson's company manufactured wood products. To meet increasing competition it mechanized its operation and set up what amounted to an assembly line. It became necessary for employees working on the finishing and packing conveyor to work an hour overtime quite frequently so that there would be no accumulation of products left from the day's work. Due to the likelihood of breakdowns, adjustments, and other reasons, it was impossible to determine whether or not overtime would be necessary on a particular day until about two hours before the shift ended.

Some employees argued that they were in car pools and missed their homeward rides if

forced to work an additional hour unexpectedly. The company decided this was not sufficient excuse and posted a notice which read in part: "All employees are asked to make necessary arrangements about their rides so that they can work overtime when required. A lack of a ride will not be acceptable as a reason for refusing overtime."

The company based its decision on the following clause in its union agreement: "Work schedules and hours are subject to change for any or all employees at any time as required by company supervisors."

Management instituted a system of warning slips for violations of company regulations. When a rule was broken the supervisor filled out the form in triplicate, giving one to the offender, one to the shop steward, and keeping one himself. This firm handling of the prob-

A SUPERVISOR'S GUIDE TO INTELLIGENT LABOR RELATIONS

lem settled the overtime question. Employees adjusted living schedules to allow for a possible "extra hour" at the end of the day—that is, everybody but Paul Johnson.

Johnson stubbornly insisted on his right to leave the plant at the regular quitting time. Twice his supervisor, John Stover (name fictitious), asked him to remain an extra hour. Twice the employee deliberately walked out at the end of the shift. For these offenses he collected two warning slips. Then it happened.

One day Paul Johnson asked the assistant foreman to leave at the regular ending of the shift in spite of a request to work an extra hour.

"Can't do overtime tonight. Got to get my car out of the garage and see my brother. He's very sick."

"You'll have to take it up with Mr. Stover," was the reply.

Paul Johnson didn't take it up with Mr. Stover. He went home.

Johnson's third offense brought dismissal. A grievance followed. Eventually the dispute came before an arbitrator.

Arguments at Arbitration

This is how the union defended its member. "The supervisor did not have just and proper cause for the discharge

of the grievant. Johnson asked permission to leave at the normal quitting time. His brother was ill in the hospital and he did not have time to see Mr. Stover. Had he waited he would have been forced to hitchhike.

"Johnson was warned before, but the first warning slip did not bear the supervisor's signature and therefore was not valid. Also, on one occasion some workers got hold of a sheaf of warning forms, filled them out and gave them to certain people as a joke. When he saw the warning slip was unsigned, Johnson thought he was the victim of a prank and disregarded it.

"Finally, we don't think the contract gives the company the right to force a man to work overtime if he doesn't want to.

"For these reasons, Johnson should be reinstated and paid his back wages for the period of his lay-off."

The company countered: "Johnson was terminated for good and sufficient reason. He had been warned twice about his offense and knew exactly what would happen if he repeated it. Not only that, the employee stated the reason he didn't see Supervisor Stover was because he knew permission to leave would be refused.

"Johnson's story about the unsigned warning slip is so

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much poppycock. The slip bears the company's name. It is stamped at the bottom. There is no rule that the supervisor must also sign it. Johnson was well aware that he had been the recipient of two warnings. When the supervisor gave him the second slip he was told that one more violation would mean dismissal. The supervisor has testified, 'Johnson accepted the final warning notice without a word.'

"Management has the contractual right to establish its hours and fix overtime, so long as it is reasonable. An extra hour's work is not asking too much of anyone. Therefore, the union's argument that an employee has the right to decide for himself whether he will do overtime holds no water. The only thing the contract says about overtime is that it must be first offered to employees in the classification according to seniority. Johnson twice defied the company's rule and was twice warned. The third time we dismissed him. We believe his grievance should be dismissed."

Opinion of the Arbitrator

The arbitrator said: "A company has the sole and exclusive right to determine the nature and kind of work to be performed, and the manner and

method of performing it unless that right is abrogated by the union agreement. It also has the right to determine the advisability of overtime work, the occasions and times when overtime is necessary, and the particular employee to be assigned to overtime consistent with the provisions of the contract. There is no clause in this contract limiting management's right to assign overtime. Therefore, the grievant did not have the right to reject his supervisor's proper request to work an extra hour.

"The union has made an issue of the fact that the first warning slip was unsigned. These slips contain the typewritten signature of the company and there is no place for the supervisor's name, although some do add their signatures. A warning slip is a warning slip whether or not it is signed. The union's contention that unauthorized persons secured a quantity of warning slips and passed them out indiscriminately does not relate to this case. The grievant admits he received two written warnings from his supervisor and has not indicated at this hearing that he did not consider either of them genuine.

"There is evidence that the grievant's real reason for refusing overtime is that he holds

a second job at another company. But this does not affect the case. The issue we must decide is whether or not the employee has the right to refuse overtime.

"The union contract says that an employee will not be required to work overtime provided he can give a reasonable excuse acceptable to the company. While this doesn't mean the company can arbitrarily and capriciously refuse to accept a reasonable excuse, it does mean that it has the exclusive right to determine whether the excuse is reasonable. If an employee believes that the company has unfairly refused to consider a proper excuse, he has two courses open. He can refuse to work and make the matter a grievance. Or he can accept the assignment under protest and grieve later.

"Employee Johnson chose the first course, and has been disciplined for it. His excuse is not acceptable. Therefore, his conduct constituted a gross breach of duty when it is added to his other refusals to abide by proper orders.

"It does seem to me that a one-hour overtime assignment could have been worked without serious inconvenience to the grievant, even if he wished to visit his brother in the hospital.

If I sustained the position of the union, I would be saying that the company does not have the right to assign reasonable overtime or to judge the acceptability of an employee's excuse for refusing it. I would be giving employees the right to walk off the job without tendering an excuse or even giving advance notice of refusal to work. Such a ruling would destroy the company's rights under the union agreement. Therefore, I dismiss this grievance. Discharge is a severe punishment. It should be modified if excessive. But there is nothing in this case to call for a modification of Johnson's discharge to a suspension."

Supervisor Not a Traffic Cop

Paul Johnson stayed fired. His supervisor had evidently conformed strictly to both the company rules and the contract in his administration of discipline. Furthermore, Johnson's behavior showed a complete disregard of company authority. In attitude and action he was insubordinate.

Although the supervisor "went by the book" in this case, and his decision was sustained, his handling of the situation was strictly mechanical. Two warnings—boom!—dismissal! Perhaps had he talked to

Johnson after the first warning and given him a disciplinary layoff for the second offense there would never have been an occasion for a discharge. After all, the employee was in-subordinate both times.

Successful supervision demands intelligence and imagination. Discipline is not an automatic, cut-and-dried procedure. The way in which Supervisor Stover administered the company rules, he was giving employees a license to commit two offenses with the assurance that their only pun-

ishment would be a warning ticket.

The record of any arbitration case leaves out many of the human details affecting it. Possibly Supervisor Stover did talk to Johnson and found him incorrigible. If so, this criticism of his conduct of the affair is not merited. But strictly on the facts reported, he evidently regarded discipline as a matter of routine. An alert supervisor must be a great deal more than a traffic cop handing out tickets. He must live up to his responsibility as a leader.

This case was described in the Labor Relations Reporter. It has been altered slightly to illustrate certain principles of supervision.

Check List for a Good Business Meeting

To provide a simple check list to help evaluate a business meeting, it is a good business meeting when . . .

- ✓ the place of meeting is comfortable, accessible, attractive,
- ✓ the agenda has been planned carefully and thoughtfully worked out,
- ✓ the meeting starts and stops on time,
- ✓ the members of the group stick to the agenda and transact business with dispatch,
- ✓ there is full discussion of vital points of business,
- ✓ the presiding officer keeps the meeting in focus,
- ✓ the members feel that time has been used wisely and can sense real accomplishment.

A rehabilitation program for alcoholics should be the concern of industry and community, the author points out in this article, second of two, dealing with a growing problem:

ALCOHOLISM

A Community Problem

by Donald Robinson

Last month we talked about recognizing the alcoholic in industry. Unfortunately, there is no hard and fast rule that can be laid down to cure the problem. More unfortunately, it seems to be growing in magnitude. But hiding our heads and refusing to recognize it is one sure way to defeat any program of correction.

It was pointed out that possibly six per cent of employees have a problem with alcohol. Wages alone on a basis of \$2 an

hour mean that a plant loses \$288 a year in money paid for the absence of a man with a drinking problem . . . on the average.

(Your alcoholic might be making \$10 an hour and lose 60 days a year; such cases are on record.) On the job, his work is sub-standard. You have a stake in this problem if you employ only 18 men. The law of averages says you have a problem drinker in your ranks according to an Alcoholism Re-

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search Foundation survey made in 1957.

You alone cannot solve the problem of alcoholism . . . in your community, or in your plant, for that matter. Firing all the alcoholics is not the answer. You will surely get another one along the line somewhere. The problem is a community problem and you have to take your place in your community to fight it. But remember what the cost of the problem is to you. You have a considerable budget to put to work in the interest of reducing absenteeism in your plant from this cause. Alcoholics can be cured, and for each one your program saves as a productive worker you stand to gain more than the \$250 a year.

Few things are more helpful in the control of alcoholics than a plant industrial health program. You will have a physician and nurse to turn to for help. But the first step, as in any program in *your* plant, rests with YOU.

Recognizing the damage the alcoholic can do, look around a bit. His damage extends to his home. It's hell to be the wife of an alcoholic. Look at the police courts, churches, social agencies . . . all have a stake in the problem. All have to spend money to combat it. Many cities have formed in-

formation and consultation services on the problem.

Roughly speaking one fourth of a man's time is spent at his job. So, although this is a bit theoretical, industrialists should have at least a one fourth interest in community programs to combat alcoholism. In this regard, again, your medical personnel, physician or nurse, are the logical employees to coordinate the community program with your plant or business.

Then in your plant you must let it be known by some form of inservice training for supervisors that management recognizes and is interested in the problems of the alcoholic worker. There is no pat way to do this. How would you let a supervisor know you recognize his ability in supervision? How do you pass on management information? Each plant uses its own methods. But let your attitude be known. That's your first concrete step, after you learn what is going on in your community, or before.

The two items mentioned above are parts of all programs. You must recognize the problem and let your supervisors know this, and you must know what facilities are available to help you; from this point on the program is all yours. No two are just alike.

The fact that programs differ so much means, for one thing unfortunately, no *one* program works. Outlined here is one program which has shown promise. Look at it carefully. Its parts are numbered for the sake of putting it into outline form, but no one part can really be separated from the other.

1. We must assume that you have a plant health program. Not just a doctor you send your emergencies to. A small plant can get by with just an emergency service, but to tackle anything so complex as your alcoholism problem . . . remember from three to six per cent of your working force . . . you should have medical advice, either a good nurse, or a physician who works with you in an advisory capacity even if only one hour a week. (Certainly not the entire hour a week need be spent on alcoholism, assuming he is only available that length of time.) Let the availability of your medical department be known to the men in the plant.

Some of your problem drinkers, not many, but a few, will recognize their problem and come for help to your health facilities. If a man does this voluntarily, so much the better. All the other phases of the program work then as outlined below to help the man.

2. Motivation is something all alcoholics need to recover. Your plant offers one of the best motivations possible. In your plant, the alcoholics you discover are not skid-row bums, you've found them out before they get that far along. They want to continue their jobs; they want normal home lives. But sometimes it takes outside help to make them realize this. When an alcoholic is discovered, his supervisor must talk to him. Friendly and not too firm at first, and suggest that he seek help. The supervisor either knows what help is available or he sends the man to the medical department on a so-called voluntary basis. Again, if possible, all the facets of the program go into motion.

3. But the friendly approach fails many times. Now the real program begins. The supervisor or personnel man takes the problem drinker aside and says, "We've been trying to help you, but . . . Now you either shape up or you're through." That sounds pretty rough, doesn't it? Unfortunately it could be that the first few men you do this to won't think you mean it and you will have to fire them. And to the over-all rehabilitation program, they are lost for the moment at least. (However, the shock

of losing a good job snaps many alcoholics to their senses.) But when your men get to know *you mean just that*, then your program is in full swing. Remember, these are good men or you would not have hired them in the first place. Once their eyes are open to the problem they want to get well. But it isn't easy for them. They need all the help they can get.

4. The medical director of the program we are talking about (and it's not unique) will accept anyone and help them on a voluntary basis *once*. But he will accept no one a second time. We'll qualify this in a moment. Nor will he accept anyone from management unless the employee knows "this is it!" We have taken care of the motivation part when the man comes to the medical office. He wants his job and he knows he won't have it unless he controls his drinking. What steps now?

a. The doctor talks to him and outlines what he must do.

b. The medical staff helps him join Alcoholics Anonymous or helps him get to a clinic, or both. Use of an AA man in the company itself is an excellent method.

c. If in-hospital patient care is indicated at first, the medical

people help get the fellow where he should be.

d. Then with management the medical people follow his progress. He is allowed to slip at less frequent intervals (the qualification referred to above). From the day he walks into the medical office or talks to the supervisor (if you are going to have the supervisor instead of the medical department handle the problem) your man should not take another drink. But he will, perhaps, and he should have a few chances to recover, if he does slip. But very few!

e. Your whole program rests on the last step. It is for your good, but it is more for the good of your employees . . . both the sober or the alcoholic ones. If he should not shape up, *fire him!* As we said before, you might lose the battle on that one man. But you will set the stage to win on two or more who won't shape up unless they really know you mean business.

Frustrations of any rehabilitation program for alcoholics are limitless. But you have to start somewhere, and no individual or agency can do it alone. Essentially it means joining your community, or leading your community toward the solution of a problem involving six per cent of your entire staff.

MANAGEMENT BOOKSHELF



The Human Side of Enterprise

by Douglas McGregor

This month's selection is reviewed by Carl Hepola, NMA supervisor of development.

For students of management this volume by McGregor is a must. It follows naturally and complements previous offerings of the book purchase plan. Those who have assiduously studied the works of Koontz & O'Donnel, Allen, and others will find a wealth of critical material to test the classical theories of management.

McGregor stresses the importance of understanding our assumptions about organizational behavior. To exemplify his approach McGregor develops a description of Theory X, the traditional view of direction

and control, and Theory Y, the integration of individual and organizational goals. The purpose here is not to strip classical theory but to develop a meaningful approach which will stress those assumptions important to effective "management strategy." As McGregor points out, the assumptions we make about human behavior when we consider "authority" as a classical concept, have a somewhat cynical basis. These conceptions most often create the kind of behavior we are trying to prevent, and interestingly enough we use the example of this behavior to justify further use of our original concepts. This is a very unsatisfactory tail chasing routine.

The crux of the problem with respect to "human management" is nicely developed by

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McGregor. Engineers and scientists appreciate the principles of the physical sciences and work diligently within these limits, and of course always seek ways to overcome the limits of their present knowledge. But on the human side of the ledger, we work diligently to make water flow up hill. An engineer fully appreciates the behavior of gasses under specific pressure and temperature conditions, and performs his work with these limitations in mind. This is an acceptable approach for the technically trained specialist, but when we deal with a human problem, out go the prin-

See page 50 for handy order form.

ciples. We'll force the result; all we need is a new policy, procedure, or program. We will manipulate. Of course, we need greater understanding of the human side of enterprise in the first place, but we are willing to accept the gimmick that looks good. This is harsh, however, it is so often true.

This book divides into three major areas. Part I is devoted to the Theoretical Assumptions of Management, and is a good exposition of management and scientific knowledge, methods of influence and control, and the development of the contrasting theories X and Y. Part

II is a general exposition of Theory Y but with specific references and pointed conclusions about "intergration and self control," performance appraisal, and salary administration and promotions. McGregor is an advocate of the Scanlon Plan as a good example of integration with respect to individual and organizational goals. Throughout this part of the book he develops his ideas effectively and with good supporting data. Such topics as participation, managerial climate, and line staff relationships are presented with a fresh clarity. Finally, in Part III, we examine four topic areas important to the development of managerial talent. First an analysis of leadership, which covers the ground quite succinctly, and then an inquiry, albeit critical, into management development programs, and to tie it up, the acquisition of managerial skills and the managerial team.

This book will not replace the general management theory which has been building most rapidly the past 15 years, but it should give us pause to consider the implications of such theory and cause us to critically consider the present state of our knowledge and its application to current management problems.

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Confessions of a Chemist

about physics and physicists



I have always been interested in the difference between physicists and chemists. It is possible to understand chemists—that is, most chemists—but physicists are different. My difficulty in assigning physicists to their proper place in the cosmos may possibly be due to my earlier acquaintance with chemistry than with physics. Having had the good fortune to be brought up in an old house full of books, among which were some dealing with chemistry, I early gained an idea as to the aims and objects of the science. There were no books dealing with physics, which was fortunate. I can think of no more evil influence on a child's life than to let him read the works of physicists. Losing all regard for facts, he would grow up with all the

This "confession" appeared in a 1918 edition of The Percolator, published since 1901 by The Chemists' Club of New York. It is reprinted here with the Club's permission.

The Chemists' Club was incorporated in 1898 "to promote the interests of chemists and those interested in the science and application of chemistry, and to this end to provide a place in which the members may come together for social intercourse and meetings, to equip the same with books and periodicals relating to the Science of Chemistry and to general literature." The Club maintains quarters at 52 East 41st Street in New York City.

loose and faulty methods of reasoning. Characteristic of many clergymen, without any of their saving charity and comfortable optimism, he might even come to believe in the atomic theory.

At college I very soon found out what physics was about. It seemed that our professor had had it revealed to him by some kind of a super-professor who had learned it in turn from a Professor-Extraordinary or a Geheimrat or something of the kind in Germany, that the world was made up—every bit of it—of very small particles in very rapid motion. The exact details of this motion had been arranged a long time previous by a Mr. Boltzmann, and the size and shape of them by Lord Kelvin and Mr. Rutherford, who used to teach at McGill College, and a Mr. Bohr—some kind of a Czech or Russian—and a lot of other great men. These things were all settled, and there was no way of changing them, no matter how many facts occurred which seemed to

make it advisable. It was like the American Constitution.

(The curtain will be lowered a minute representing the lapse of many years.)

The difference between a physicist and a chemist is that a physicist does one experiment and writes a book of 1734 pages about it, whereas a chemist does 1734 experiments and writes up one page in a notebook about it. There are other kinds of chemists who don't make experiments at all. They take out patents.

It is sufficient for a physicist to know calculus. Calculus is to the physicist what the Constitution is to a lawyer. After having differentiated the results of his experiment and transposed them and integrated again, he has a new experiment.

There are several sorts of physicists. Old-fashioned physicists are merely High-Church engineers. Today, however, there is a sort of Greenwich Village physicist who is enough to drive anyone insane: I have just read a book about

one of them. This book proves that "2" is a number. It is very convincing if you have ever had any doubts on the subject. These men are very much interested in what they call the "Principle of Relativity." This means that a pound of lead up in Central Park at midnight isn't necessarily the same as a pound of lead down at the corner of Chambers Street and Broadway the next day at noon. Of course, you can't prove that it is different—no fair-minded man of science would ask that—but, on the other hand, you can't prove that the fact that it seems the same isn't due to experimental error. Some years ago a pioneer of this school in Pennsylvania discovered that "Alice in Wonderland" was a work on hydrodynamics written in cipher. They locked him up in Butler County Asylum. This sort of thought is very advanced.

It is probably a good thing to have men of this class. Nowadays we have "free" poetry and "free" art and "free" music, and so, why not have "free" science? One can hardly expect the younger modern intellectuals to be bound by old Victorian conceptions like gravity or to hold closely to the idea that $pv=nRt$. However, most of these "new" physicists are rather a bad lot. They are loose in their morals, are frequently pacifists, admire music by Scriabine and essays by George Moore—and as likely as not they are pro-German.

Physicists differ from chemists in not being able to earn their living. Most professors of physics marry rich wives or have friends who tell them what stocks to buy; or they have daughters in the movies. If not, they die in the workhouse. I am glad I am a chemist.

*"Well,
if it's leaking
get it off
my desk. . . ."*



Is That Letter Necessary?

Average Business Letter Costs \$1.83,

Dartnell Survey Shows

The continuing spiral of inflation has again sent the cost of an average business letter zooming upward. The last analysis of such costs made by Dartnell in 1957 found the average figure to be \$1.70. Today the staff of Dartnell's Office Administration Service finds that the same business letter costs \$1.83—a 13-cent increase in three years. Going back even further, the 1953 Dartnell study showed an average business-letter cost of \$1.17.

The increase is due primarily to increased labor costs, upward swing of wages for secretaries, increase in executive salaries, nonproductive labor wages, the higher cost of materials, and increased postal rates.

In 1953 the average salary of a good sales correspondent was about \$75 a week. Today his salary is in excess of \$100 a week. In 1953 you could hire a stenographer with at least two years' experience for a starting weekly salary of \$55 in big cities, or \$40 in one-industry communities. The latest National Office Management As-

sociation survey figures show that today the average stenographer is paid \$73 a week. Likewise, wages paid file clerks have increased along with material costs and major postal rates.

A shortening of working hours in many offices continues. However, Dartnell's Report No. 613, "Working Conditions in 165 Offices," still shows over 80 per cent of offices work a 40-hour week. Ten per cent are now working a 37½-hour week. Others vary the weekly working hours somewhat less than the usual 40. Saturday work is rapidly becoming a thing of the past in most concerns. Exceptions of course exist among businesses that must retain Saturday hours due to their type of operation.

Building cost is another item that has spiraled since 1953. Space rentals in office buildings are up, and annual rentals per square foot of space are at an all-time high.

According to the Dartnell study, the increasing cost of a single business letter will not level off. In fact, by the end of

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Business Letter Cost In 1960

COST FACTOR		Average Cost	Possible Saving	HOW SAVINGS CAN BE MADE
Dictator's Time —Based on a salary of \$110 a week for 40 hours and an average of 7 minutes for each letter written.		\$ 0.321	\$ 0.032	10% by inaugurating a campaign to make letters shorter; equipping executives with dictating machines, desk "companion" files, and form paragraph indexes.
Stenographic Cost —Based on a salary of \$73 a week for 40 hours and an average of 20 letters a day, including time taking dictation. . . . .		.730	.241	33 1/3% by centralizing stenographic and typing department; using transcribing and photo-copying machines; electric typewriters; efficiency desks and chairs; instilling bonus plan.
Nonproductive Labor —Time lost by dictator and stenographer due to waiting, illness, vacations, and other causes—15% of labor cost. . . . .		.158	.021	13% by using efficient equipment to reduce number of employees needed with corresponding reduction in nonproductive time.
Fixed Charges —Depreciation, supervision, rent, light, interest, taxes, insurance, pensions, and similar overhead costs—40% of labor cost. . . . .		.420	.126	30% by savings in floor space through centralization of correspondence departments; labor-saving equipment reduces employee's compensation insurance needs.
Materials —Stationery, carbon papers, typewriter ribbons, pencils, and other supplies.		.070	.011	15% by using better quality paper, but smaller sizes where possible; gang printing of inter-office letterheads with other forms on office printing equipment.
Mailing Cost —First-class postage (10% air mail), gathering, sealing, stamping, sorting, and delivering to the post office. . . .		.090	.018	20% by use of modern sealing and stamping machines not only to save labor but also to reduce losses due to pilfering of stamps.
Filing Cost —Clerk's time; cost of filing supplies, etc. . . . .		.040	.006	15% by centralizing all files and filing procedures modernizing filing equipment and methods.
Total		\$ 1.83	\$ 0.455	

1960, with estimated wage increases, further postal rate increases, and higher material costs, another few cents will most assuredly be tacked on to the average cost of a letter. If the buying power of the dollar continues to plunge as it has, if business keeps booming as economists predict it will, and if wages keep pace with other spirals, who can say what the average cost of a business letter will be in another three years?

While it is quite true that the increase in the cost of a single business letter as shown by the Dartnell findings isn't too startling to some people, try mul-

tiplying it by the thousands of letters that the average concern sends out in the course of a normal year and you will have some astronomical figures. It then becomes a cardinal part of any budget.

In addition to a breakdown of costs, the accompanying chart discloses some estimates of savings based on the Dartnell survey. The figures in the right-hand column represent savings made by various companies that have come to grips with this item in the budget, thus making substantial savings without impairing the present effectiveness of their business relationships.



"I've just moved Plant 14 to Altoons. . . . It's your move."

NEWS

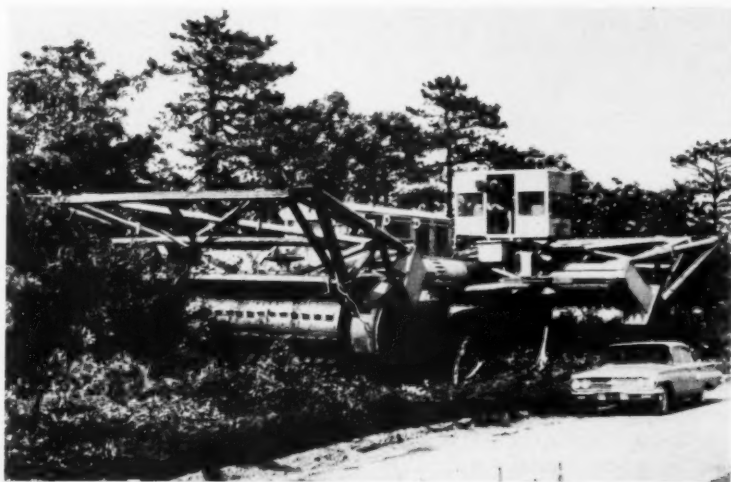
at a Glance

Skirts, Ahoy!

Today's fashion note comes from Lockheed Missiles and Space division in Sunnydale, Calif.

Conical skirts for the Navy-Lockheed Polaris missile are now being produced cheaply and efficiently, thanks to the invention of a Lockheed engineer, Robert O'Neill.

A "skirt" in missilese jargon refers to the tapered section of the missile structure which connects the forward end of the second-stage rocket motor to



Prairie Maker: This road through a New Jersey forest will soon look like a thoroughfare in Kansas as the big land clearing device alongside it pulverizes trees at a rate of three acres per hour. The wooded areas being cleared were interfering with electronics equipment being tested by the National Aviation Facilities Experimental Center, Atlantic City. The specialized machine—called a Tree Crusher by its manufacturer, R. G. LeTourneau, Inc.—fells the trees and compacts the debris into a mat to prevent erosion.

the considerably smaller re-entry body.

Until O'Neill came up with his idea for fashioning the difficult conical missile shapes, this was one of the most frustrating and time-consuming steps in the manufacturing process.

The problem was much the same as a seamstress faces in making a woman's skirt, except that curving the tough metal panel into a cone simply by placing the material in the grip of a straight roller bordered on the "square peg in a round hole" category. The process resulted in composites of many cylindrical curves and unavoidable irregularities.

Using the O'Neill invention, a triangular-shaped apparatus which holds the material at its apex while the giant roll bends the panel into a skirt, two workers can turn out a perfect cone in minutes. It used to take two men eight hours of painstaking work to produce one.

Real "Hotshot"

Boeing has launched regular operation of its new hypervelocity wind tunnel—a facility capable of simulating many of the flight conditions which will be encountered by both present and future space vehicles.

The electrical arc discharge or "hotshot" wind tunnel is the

largest privately owned facility of its kind in the world. The hotshot is designed to operate in the speed ranges from mach 10 to mach 27, at temperatures up to 14,000 degrees Fahrenheit and simulate altitude conditions up to 260,000 feet or approximately 50 miles. Its addition provides the company with aerodynamic research capabilities in all speed regimes from low subsonic to the orbital speed of space vehicles, or from about 20 miles an hour up to 18,000 miles an hour.

Power Plant of Tomorrow

The day the fuel cell steps out of the laboratory commer-



... 'Hotshot' Tunnel

MANAGE

What A Gasser: Eight F-100 Super Sabres of the 354th Tactical Fighter Wing refuel at a new portable "gas station" under service test by the Tactical Air Command of the U.S. Air Force. During a special demonstration, nine aircraft were landed, refueled and ready for flight in less than 30 minutes. Developed by Goodyear Tire & Rubber Company, and Bowser, Inc., the air transportable system can fuel six aircraft simultaneously.



cially may be within five years, say the experts.

Current research, costing an estimated \$30 to \$40 million annually, foreshadows this electricity-producing system as the power plant of tomorrow. Special applications are seen in the immediate future but large central power generating plants are among the promising research possibilities. Some expectations have it that the cell will return the electric automobile to the nation's highways.

The fuel cell as a power plant is unique. It converts chemical energy directly into electricity with an efficiency rated at better than twice that of the most efficient power plants now available. The standard flashlight battery is a common example of the fuel cell principle. In such a battery, however, the chemical energy to be converted is stored in the cell. But the fuel cell is a converter, theoretically capable of producing electricity as long as fuel and air are supplied. In effect,

it is a power plant system; the battery is a package of energy which eventually becomes exhausted.

Reward and Punishment

The company truant officer is getting tougher these days.

That's the word from Industrial Relations News, the weekly newsletter for the industrial relations/personnel field. A survey of the Industrial Relations News Leadership Panel indicates more and more companies are taking firm steps to combat absenteeism among employees.

There are two main routes companies can take to encourage employees to come to work regularly: Reward "presenteeism," or penalize absenteeism.

Rewards for good attendance can take a number of forms. One company, for example, hands out a week's extra pay for a year's perfect attendance. Another grants an extra week's vacation for a spotless 12 month attendance record.

On the other side of the fence, bigger and better doghouses are being built for chronic absentees.

A demerit system keeps tabs on absences at a Canadian paper company. As the demerits mount up for unexcused absences and lateness, penalties

mount until the chronic absentee is fired.

Supervisors and company nurses for a number of companies visit absent employees in their homes to make sure they're sick as they claim to be.

"Work Sampling" Film

A new industrial motion picture on "work sampling," especially designed to provide industrial and business organizations with an economical, convenient method of familiarizing management and employees with this cost-reducing technique, is now being distributed in the United States and abroad.

Entitled "The Principles and Application of Work Sampling," it was written under the direction of Wallace J. Richardson, professor of Industrial Engineering, Lehigh University, and co-author of the standard textbook, "Work Sampling."

For further information write: Industrial Education Film Library, 3 Palmer Square, Princeton, N. J.

Measures Human Equation

Categorized as one of the most interesting devices published in contemporary times is the CAREER FINDER, developed by Keith Van Allyn, director of Personnel Research, (Los Angeles). An objective

evaluation of virtually any person's capabilities, limitations and potentialities is possible no matter whether the person is a student, parent, teacher, job seeker, employee or employer.

It works this way. A slide is moved progressively so that questions appear through a window die-cut. After all of the questions have been answered, the entire slide card is

withdrawn from the Career Finder and reversed,—exposing not only a comprehensive Occupational Index comprising 562 clerical, administrative, mechanical, technical, scientific, literary and sales occupations, but the identification of 28 individual traits essential for success in each, including the family of related occupations to which these traits might belong.

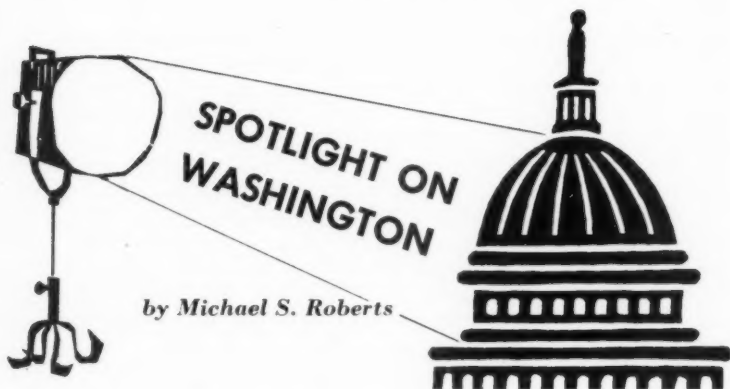
NMA CLUB ANNIVERSARIES

SEPTEMBER

- 5 Years:** Fostoria Industrial Management Club Fostoria, Ohio
- 15 Years:** Armco Fabricating Foremen's Club Middletown, Ohio
- 20 Years:** Staten Island Management Club Staten Island, N. Y.

OCTOBER

- 5 Years:** The Mallory Management Men's Club Indianapolis, Ind.
Hayes Management Club Birmingham, Ala.
- 10 Years:** Sylvania Management Club Woburn, Mass.
San Fernando Valley Management Association San Fernando, Calif.
- 15 Years:** American Air Division Management Club Louisville, Ky.
- 35 Years:** Springfield Foremen's Club Springfield, Ohio
Foremen's Club of Toledo Toledo, Ohio



FREE ENTERPRISE TAKING A BEATING

America's traditional free enterprise system is likely to be bent considerably out of shape by the heat of the current election campaign. The two Presidential candidates are young, tough, ambitious fighters, not afraid to make some concessions to expediency in their zeal to win.

This is based on the fact that unless a party wins, none of its principles may be put into action. It's sound logic. Unfortunately, the axis on which the domestic issues are turning this year is promise of government aid at the expense of the operation of our free enterprise system. The lure of votes is again too shiny to be resisted.

Both party platforms contain promises of varying shades of big government programs. The Democrats in their promises go much further than the Republicans. Assurances of support of free enterprise and individual initiative are not frequent in the platform, although Vice President Nixon is insisting that this will be a basic principle of his Administration if he is elected.

Insiders close to the Vice President insist privately that if he wins the nip-and-tuck race, his basic conservatism will again be pushed to the

fore. The country would move away from the Eisenhower "middle of the road" philosophy, they say.

But even the term "free enterprise" is now being bent to be applied to various propositions which are completely at variance with economic, social, or personal freedom.

LABOR PLATFORMS COMPARED

In spite of the similarities in many fundamental approaches, the variations in the two candidates on labor points to the differences in the two roads the candidates would follow. It's most revealing in the labor platforms of the two parties, written with the assent of the candidates.

As management on the firing line, foremen and supervisors should study these two documents.

In summary, the Democrat party platform calls for the restoration of full support for collective bargaining and "the repeal of the anti-labor excesses which have been written into our labor laws." It adds: "The Republican Taft-Hartley Act seriously weakened unions in their efforts to bring economic justice to the millions of American workers who remain unorganized." It calls for repeal of right-to-work laws, unreasonable limitations on the right to picket peacefully, limitations on the rights to strike and to tell the public the facts of a labor dispute, and other anti-labor features of the Taft-Hartley Act and the 1959 (Landrum-Griffin) Act."

Republican platform writers noted that labor and management can't be separated, because neither may prosper without the other. They call for a "climate of free collective bargaining with minimal government intervention except by mediation and conciliation." But they call for ways to "strengthen the hand of the President in dealing with such emergencies." The GOP platform calls for "diligent administration" of the Taft-Hartley and Landrum-Griffin measures, with "improvements which experience shows are needed to make them more effective or remove any inequalities."

AUTOMATION TRAINING SUPPORTED

Both parties made a pass at calming the fears of organized labor over the increasing trend toward the efficiencies of automation.

The Democrats promised a "continuing analysis of the nation's man-power resources and of measures which may be required to assure their fullest development and use." They also offered "government leadership" to insure that automation does not cause widespread unemployment, and promised they "will provide the opportunity for training and retraining to equip the young and technologically displaced worker for the jobs to be filled."

Republicans approved a plank which offered "continued improvement of manpower skills and training to meet a new era of challenges," and "encouragement of training programs by labor, industry and government to aid in finding new jobs for persons dislocated by automation or other economic changes."

Organized labor's preference in the election is clear. COPE (Committee on Political Education) noted immediately after the Kennedy nomination that the Massachusetts Senator had "voted right" in the labor view in every instance. This is, however, in sharp contrast to union leaders' attacks on him immediately after he failed to emasculate the labor reform bill last year. They are opposed to Nixon.

Conservatives, whether they be Southern Democrats or "Old Guard" Republicans such as Sen. Barry Goldwater, do not now have an effective voice in either party. Their principal strength is in blocking excesses in the other direction. But leaders of these blocs both firmly believe privately that the pendulum of public opinion is already swinging away from the New Deal semi-socialistic approach toward the traditional personal liberty of this country and that the time is not too far distant when it will again be to the right of what is now considered center.

TARIFF CUTS BRING PROTESTS

This country is having trouble lining up a list of items on which it will agree to cut import tariffs on foreign goods in exchange for similar cuts in other countries on U.S. products.

The U. S. government has published a proposed list of 2,500 categories on which it proposes to offer tariff concessions in return for foreign concessions at a meeting in late September at Geneva of a 33-nation trade negotiating group. But its hearings have turned up opposition from almost every major group of U.S. producers affected by the proposed list.

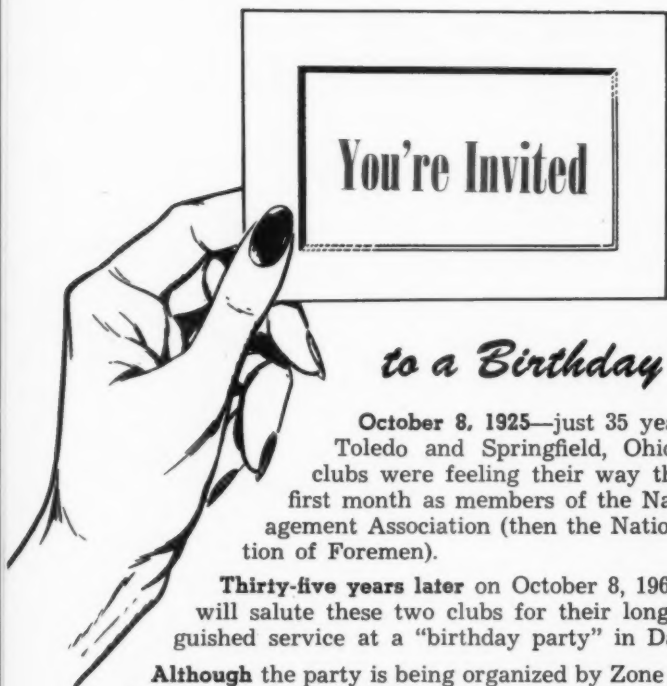
The government lost a round before it really began to fight. The U.S. Court of Customs and Patent Appeals in late July ruled that the President must either accept or reject—but not modify—recommendations of the U.S. Tariff Commission in escape clause proceedings.

The U.S. metals industry is out in full force to fight the tariff-cutting proposals.

With the exception of some nickel product firms and some small aluminum extruders, the industry argues that foreign metal and metal products tariffs are now at the lowest possible point and should not be further reduced.

If anything, they say, tariffs on imported metals and metal products should be raised. U.S. automobile manufacturers, shoe manufacturers, and hosts of other producer industries are taking the same position. Hurt by rising imports from Japan, Germany, Scandinavia and other war-torn countries rehabilitated at U.S. expense, they are now asking for protection from low-labor-cost countries.

But the U.S. State Department is quietly making it clear that it will go to the negotiations this fall with a long list of products on which it will be ready to cut tariffs, in the interests of cementing free world relations, in spite of the protests.



to a Birthday Party

October 8, 1925—just 35 years ago—the Toledo and Springfield, Ohio, foremen's clubs were feeling their way through their first month as members of the National Management Association (then the National Association of Foremen).

Thirty-five years later on October 8, 1960, the NMA will salute these two clubs for their long and distinguished service at a "birthday party" in Dayton, Ohio.

Although the party is being organized by Zone C, it is open to all members of NMA who want to join in personally wishing members of the two clubs "Happy Anniversary" and 35 still greater years of progress in the management field.

Invitations will be sent to leading business officials in Ohio and national officers of NMA. The impressive invitation list will also include all charter members of charter clubs, and past officers of both Toledo and Springfield clubs.

Tickets will be \$5 each and reservations must be made by September 30.

HERE'S THE PROGRAM

1:00 to 3:00 p.m. ... Registration	{	5:00 to 6:00 p.m. ... Social Hour
3:00 to 4:30 p.m. ... Program	}	6:00 p.m. Dinner

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Ten Commandments of Human Relations

I Thou shalt love people, not just use them.

The greatest thing in the world is a person.

The greatest thing about a person is his motive, and the greatest motive is love.

II Thou shalt develop thy understanding.

"If every man's care were written on his brow.

How many would our pity share, who bear our envy now."

III Thou shalt compliment more than criticize.

You had better cover your neighbor's fault with a cloak of charity.

You may need a circus tent to cover your own.

IV Thou shalt not get angry.

If you are right you don't need to.

If you are wrong you can't afford to.

V Thou shalt not argue.

It's no use to win the argument and lose the people.

Beware of the attitude which says:

"In matters controversial, my attitude is fine.

I always see two points of view

The one that's wrong, and mine."

VI Thou shalt be kind.

You had better be kind to people you meet on the way up, they are the same ones you meet on the way down.

It's nice to be important, but it's important to be nice.

VII Thou shalt have a sense of humor.

A sense of humor is to a man what springs are to a wagon.

It saves him a lot of jolts.

VIII Thou shalt smile.

No man is ever fully dressed until he has a smile on his face.

"Powder your face with sunshine,

Put on a great big smile.

Make up your eyes with laughter,

Folks will be laughing with you in a little while.

Whistle a tune of gladness,

Gloom never was worth while.

The future's brighter when hearts are lighter,

So smile, smile, smile."

IX Thou shalt practice what thou preachest.

One example is worth one thousand arguments.

X Thou shalt go to school to the Headmaster of the Universe, the Master of men, the Secretary of Human Relations—namely, Jesus Christ. He is the greatest leader of men the world has ever known.

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*Y' All
Come Down
South*

*to
Atlanta for*

**NMA's 37th National Convention
October 19-20-21**

Contact NMA club officers or write to:

**National Convention Registrar
The National Management Association
333 West First Street, Dayton 2, Ohio**

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